

AR26



1975

Annual Report

File



Superior Acceptance Corporation Limited

Loan offices throughout Ontario

Belleville

227½ Front Street

Hamilton

68 King Street East

Kingston

113 Princess Street

Kitchener

220 King Street East

London

198 Dundas Street

Oshawa

3½ Simcoe Street South

Ottawa

368 Slater Street
569 McArthur Road
1327A Wellington

Peterborough

377½ George Street North

Sarnia

197 Christina Street North

Sault Ste. Marie

540 Queen Street East

St. Catharines

164 St. Paul Street

Sudbury

10 Elm Street East

Toronto

22 College Street
1560 Danforth Avenue
2250 Midland Avenue
1454 Dundas Street, East
301 Silverstone Drive
2753 Eglinton Avenue, East
6022 Yonge Street
764 Wilson Avenue

Thunder Bay

105 May Street South

Windsor

332 Ouellette Avenue

Retail credit offices across Canada

Agincourt, Ontario

Agincourt Mall
Sheppard Ave. & Kennedy Road

Brantford, Ontario

King George Rd. & Hwy. 24

Calgary, Alberta

Westbrook Shopping Plaza
1212-37th St. S.W.
MacLeod Shopping Centre
9650 MacLeod Trail
Northland Village Shopping Centre
5111-37th St. N.W.
Marlborough Mall Shopping Centre
36th St. & Memorial Drive

Chatham, Ontario

Chatham Place
801 St. Clair Street Extension

Dartmouth, Nova Scotia

Penhorn Mall
535 Portland Street

Edmonton, Alberta

Capilano Mall Shopping Centre
98th Ave. & Terrace Road
Centennial Village Shopping Centre
Unit No. 1
170th St. & Stony Plain Road
Londonderry Shopping Centre
66th St. & 137th Avenue

Halifax, Nova Scotia

Scotia Square
Barrington St. & Duke St.

Hamilton, Ontario

Hamilton Mountain Shopping
Centre
James & Fennel Avenues

Lethbridge, Alberta

2025 Mayor Magrath Drive

London, Ontario

Argyle Shopping Mall
1925 Dundas Street East
Oakridge Acres
Oxford & Hyde Park Side Road
White Oaks Shopping Centre
1105 Wellington Road South

Moose Jaw, Saskatchewan

Town & Country Mall
1235 Main Street North

Ottawa, Ontario

1460 Merivale Road

Prince Albert, Saskatchewan

South Hill Shopper's Mall
2995 2nd Avenue West

Red Deer, Alberta

Parkland Mall Shopping Centre
6375-50th Avenue

Regina, Saskatchewan

Northgate Mall
353 North Albert Street
Southland Mall
2715 Gordon Road

Saint John, New Brunswick

Loch Lomond Shopping Centre

Saskatoon, Saskatchewan

Confederation Park Plaza
300 Confederation Drive

Sault Ste. Marie, Ontario

345 Queen Street East

St. Catharines, Ontario

Lincoln Mall Shopping Centre
Welland Ave. & Bunting Rd.

St. John's, Newfoundland

Avalon Shopping Centre
Trans Canada Highway &
Thorburn Road

Stoney Creek, Ontario

Eastgate Mall
Centennial Parkway & Queenston Rd.

Sudbury, Ontario

Barrydowne & La Salle Blvd.

Sydney River, Nova Scotia

Cape Breton Shopping Centre
Junction of Hwy. 4 & 5

Toronto, Ontario

North Park Shopping Centre
1305 Lawrence Avenue, West
2295 Sheppard Avenue, West
7171 Yonge Street
6220 Yonge Street
45 Overlea Boulevard

Victoria, British Columbia

Town & Country Shopping Centre
3601 Douglas Street

Welland, Ontario

Seaway Mall
Niagara St. & Woodlawn Rd.

Whitby, Ontario

Whitby Mall Shopping Centre
Thickson Road & Hwy. No. 2

Windsor, Ontario

Gateway Plaza
Dougall Avenue

Eastown Shopping Centre
1950 Lauzon Road

Directors

Alan S. Brown, D.D.S., F.R.C.D.(C)
Charles-A. Cadieux, C.M., K.G.C.H.S.
Donald Carr, Q.C.
Abe Posluns
Alan I. Posluns
Richard W. J. Posluns

Officers

Abe Posluns
Chairman of the Board
Alan I. Posluns
President
Bert Faulkner
Vice-President
D. A. G. McKinnon
Assistant Vice-President
Richard W. J. Posluns
Secretary
Richard J. Burghardt
Treasurer

Transfer agent and registrar
Guaranty Trust Company

Auditors

Perlmutter, Orenstein, Giddens, Newman & Co.
Clarkson, Gordon & Co.

Head office

22 College Street
Toronto, Ontario M5G 1K6

Annual meeting

Friday, June 25, 1976 at 11:00 a.m.
Royal York Hotel
Toronto

To our shareholders

On behalf of your Board of Directors I am pleased to present our Fourth Annual Report. Although receivables did not increase during the year, the company did show an increase in earnings for the year from 34¢ per share to 37¢.

During this past year four new retail offices were opened, one in Welland, one in Regina and two in Toronto and three additional retail offices are planned for the latter part of this year.

In addition, two new loan offices were opened, one in Ottawa and one in Toronto.

During the year, two senior appointments were made.

Mr. Bert Faulkner — Vice-President Loan Division

Mr. D. A. G. McKinnon — Assistant Vice-President Retail Division

This realignment of executive responsibilities adds strength to the executive management team, and reflects the continuing growth of the company.

On behalf of the Board,



Alan I. Posluns
President

May 25, 1976

**Superior Acceptance Corporation Limited**

(Incorporated under the laws of Ontario)
and its subsidiaries

Consolidated Balance Sheet

December 31, 1975
(with comparative figures at December 31, 1974)

ASSETS	1975	1974
Finance receivables (including approximately \$18,621,000 due within one year; 1974 — \$19,714,000) (note 2)		
Loan offices	\$12,788,743	\$13,774,606
Retail offices	21,864,167	21,842,581
	<u>\$34,652,910</u>	<u>\$35,617,187</u>
Allowance for doubtful receivables (note 1(c))	(1,440,000)	(1,255,000)
	<u>\$33,212,910</u>	<u>\$34,362,187</u>
Cash	9,134	10,625
Sundry accounts receivable and prepaid expenses	74,321	119,274
Furniture, equipment, automobiles and leasehold improvements at cost less accumulated depreciation and amortization of \$429,883 (1974 — \$409,854)	177,896	169,986
Excess of cost of shares in subsidiaries over equity in their net assets at date of acquisition (note 1(a))	753,838	753,838
	<u>\$34,228,099</u>	<u>\$35,415,910</u>

Approved on behalf of the Board:

Abe Posluns, Director

Alan I. Posluns, Director

(See accompanying notes to consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY**1975****1974****Loans payable:**

Secured bank indebtedness (note 2)	\$10,119,897	\$12,914,671
Secured senior long-term notes payable including U.S. \$366,500 due within one year (1974 — U.S. \$396,500) (notes 2, 3 and 4)	9,288,293	7,705,772
Secured senior subordinated long-term notes payable (notes 2, 3 and 4)	1,282,650	1,282,650
Subordinated debentures due May 1, 1980 including \$135,000 due within one year (notes 4 and 5)	607,500	742,500
Advances from shareholders and associates (note 6)	972,928	698,917
	<u>\$22,271,268</u>	<u>\$23,344,510</u>

Accounts payable and accrued charges\$ 4,653,776 \$ 4,496,466**Dividends payable**\$ 49,611 \$ 49,611**Income taxes payable — current
— deferred**

\$ 59,210	\$ 435,552
56,682	53,490
<u>\$ 115,892</u>	<u>\$ 489,042</u>

Unearned finance charges (note 1(b))\$ 2,568,036 \$ 2,721,810**Shareholders' equity:**

Share capital (notes 7 and 8)	\$ 981,110	\$ 981,110
Retained earnings (note 4)	3,588,406	3,333,361
	<u>\$ 4,569,516</u>	<u>\$ 4,314,471</u>
	<u><u>\$34,228,099</u></u>	<u><u>\$35,415,910</u></u>

**Superior Acceptance Corporation Limited**(Incorporated under the laws of Ontario)
and its subsidiaries**Consolidated Statement of Retained Earnings**

for the year ended December 31, 1975

(with comparative figures for the year 1974)

	1975	1974
Retained earnings, beginning of year	\$3,333,361	\$3,113,709
Net income for the year	<u>453,485</u>	<u>418,097</u>
	<u>\$3,786,846</u>	<u>\$3,531,806</u>
Dividends paid:		
Class A shares, including tax thereon	\$ 83,137	\$ 85,089
Class B shares	<u>115,303</u>	<u>113,356</u>
	<u>\$ 198,440</u>	<u>\$ 198,445</u>
Retained earnings, end of year	<u>\$3,588,406</u>	<u>\$3,333,361</u>

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Income

for the year ended December 31, 1975

(with comparative figures for the year 1974)

	1975	1974
Income:		
Interest, service charges and commissions (note 1(b))	<u>\$7,165,379</u>	<u>\$6,838,222</u>
Expenses:		
Interest (including interest on long-term debt of \$974,795; 1974 — \$777,443)	<u>\$2,295,468</u>	<u>\$2,373,782</u>
Provision for doubtful receivables (note 1(c))	<u>704,865</u>	<u>642,644</u>
Depreciation and amortization	<u>56,111</u>	<u>50,682</u>
Salaries and other operating expenses	<u>3,183,601</u>	<u>2,873,173</u>
	<u>\$6,240,045</u>	<u>\$5,940,281</u>
Income before income taxes	<u>\$ 925,334</u>	<u>\$ 897,941</u>
Income taxes — current	<u>\$ 468,657</u>	<u>\$ 490,358</u>
— deferred	<u>3,192</u>	<u>(10,514)</u>
	<u>\$ 471,849</u>	<u>\$ 479,844</u>
Net income for the year	<u>\$ 453,485</u>	<u>\$ 418,097</u>
Earnings per share	<u>\$ 0.37</u>	<u>\$ 0.34</u>

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Change in Investment in Finance Receivables

for the year ended December 31, 1975
(with comparative figures for the year 1974)

	1975	1974
Funds provided from —		
Net earnings for the year	\$ 453,485	\$ 418,097
Add items not requiring cash outlay:		
Depreciation and amortization	56,111	50,682
Increase in allowance for doubtful receivables	185,000	290,000
Total funds from operations	\$ 694,596	\$ 758,779
Increase in loans payable	—	2,713,347
Increase in accounts payable	157,310	1,700,861
Increase in taxes payable	—	395,691
Increase in unearned finance charges	—	332,786
Decrease in sundry accounts receivable	44,953	9,071
Decrease in cash balance	1,491	2,540
Proceeds on disposal of fixed assets	19,529	10,769
	\$ 917,879	\$5,923,844
Funds applied to —		
Dividends paid (including tax thereon)	\$ 198,440	\$ 198,445
Purchase of fixed assets	83,550	63,804
Decrease in loans payable	1,073,242	—
Decrease in taxes payable	373,150	—
Decrease in unearned finance charges	153,774	—
	\$1,882,156	\$ 262,249
Increase (decrease) in investment in finance receivables before allowance for doubtful receivables	\$ (964,277)	\$5,661,595

(See accompanying notes to consolidated financial statements)

Auditors' Report

To the Shareholders of
Superior Acceptance Corporation Limited:

We have examined the consolidated balance sheet of Superior Acceptance Corporation Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of income, retained earnings and change in investment in finance receivables for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their investment in finance receivables for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada,
March 25, 1976.

Perlmutter, Orenstein, Giddens, Newman & Co.
Chartered Accountants



Superior Acceptance Corporation Limited

(Incorporated under the laws of Ontario)
and its subsidiaries

Notes to Consolidated Financial Statements

December 31, 1975

1. Accounting policies

(a) Basis of consolidation

The accompanying financial statements include the accounts of the wholly-owned subsidiary companies:

Superior Acceptance (Alberta) Limited
Superior Credit Corporation Limited
Superior Finance Limited
Superior Investment Co. Limited

The company does not amortize the excess of cost of shares in subsidiaries over the equity in the subsidiaries' net assets at acquisition. Management is of the opinion that no permanent decline in value has occurred.

(b) Basis of recognition of income

Income is taken into account on the following bases:

Small loans — interest is taken into income as collected.

Large loans and conditional sales agreements — no amount is taken into income at the time of making the loan or acquiring the conditional sales agreement. Finance charges are taken into income as earned over the term of such loan or such conditional sales agreement, employing the sum of the digits method.

Revolving credit receivables — substantially all of these receivables are acquired from department stores at face value less a commission, which is taken into income at the time the receivable is acquired. The accounts are then billed each month and a monthly service charge is applied based upon the unpaid balance at the end of the previous month; this service charge is taken into income as billed.

(c) Allowance for doubtful receivables

The allowance for doubtful receivables is determined on a formula basis applied primarily to certain of the delinquencies in the finance receivables.

Delinquencies are determined as follows:

- i) Loans and Conditional Sales Agreements — delinquencies on loans are determined on the basis of the original contract. If any payment is not received on the due date, the balance is treated as delinquent.
- ii) Revolving Credit Receivables — delinquency occurs if a payment has not been made within thirty days of billing. Only payments in arrears are considered delinquent and not the total outstanding account.

2. Assets pledged

Substantially all of the assets of the company and its subsidiaries are pledged to secure bank indebtedness and the long-term notes payable.

3. Secured long-term
notes payable

Senior Notes	Annual repayment requirement	Principal amount outstanding			
		December 31, 1975		December 31, 1974	
		\$ U.S.	\$ Canadian	\$ U.S.	\$ Canadian
Series "B" 6-1/4% due April 15, 1975		\$ —	\$ —	\$ 100,000	\$ 107,562
Series "C" 6-1/8% due December 15, 1979	\$ 83,000	334,000	358,528	417,000	447,624
Series "D" 6-1/4% due January 15, 1978	50,000	150,000	161,109	200,000	214,813
Series "E" 7-1/4% due August 15, 1982	38,500	269,000	292,370	307,500	334,214
Series "F" 10% due December 1, 1984	125,000	1,125,000	1,127,461	1,250,000	1,252,734
Series "G" 9% due August 15, 1985	70,000	700,000	686,875	700,000	686,875
Series "H" 9-1/8% due April 1, 1989	(i)	2,000,000	1,985,400	2,000,000	1,985,400
Series "I" 9-5/8% due May 1, 1989	(ii)	—	2,000,000	—	2,000,000
Series "J" 9-3/8% due May 1, 1989	(iii)	700,000	676,550	700,000	676,550
Series "K" 11-1/2% due September 15, 1989	(iv)	—	2,000,000	—	—
			<u>\$9,288,293</u>		<u>\$7,705,772</u>

Senior Subordinated Notes

Series "A" 9-3/4% due April 1, 1989	(v)	\$1,000,000	\$ 992,700	\$1,000,000	\$ 992,700
Series "B" 10% due May 1, 1989	(vi)	300,000	289,950	300,000	289,950
			<u>\$ 1,282,650</u>		<u>\$1,282,650</u>
			<u>\$10,570,943</u>		<u>\$8,988,422</u>

- (i) Repayment of the Senior Series "H" note commences April 1, 1977 at the rate of \$150,000 per year.
- (ii) Repayment of the Senior Series "I" note commences May 1, 1978 at the rate of \$167,000 per year.
- (iii) Repayment of the Senior Series "J" note commences May 1, 1978 at the rate of \$59,000 per year.
- (iv) Repayment of the Senior Series "K" note commences September 15, 1977 at the rate of \$154,000 per year.
- (v) Repayment of the Senior Subordinated Series "A" note commences April 1, 1977 at the rate of \$75,000 per year.
- (vi) Repayment of the Senior Subordinated Series "B" note commences May 1, 1977 at the rate of \$23,000 per year.

The notes payable, except for the Senior Series "I" note and the Senior Series "K" note, are payable in United States dollars and are recorded at the Canadian dollar equivalent of the funds received at the dates of issue. Foreign exchange gains or losses incurred on repayment of notes are reflected in the statement of income in the year realized.

4. Retained earnings and restrictions on distributions

Superior Acceptance Corporation Limited and its subsidiaries have approximately \$2,695,000 of 1971 undistributed income on hand in respect of which they may create tax paid undistributed surplus on payment of 15% tax.

The Trust Deed covering the long-term notes payable imposes certain restrictions on distributions by way of dividends, stock redemptions and redemption of the subordinated debentures due May 1, 1980. At December 31, 1975 the amount available for future distribution was approximately \$506,000.

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation, dividends to the company's shareholders during the year ended October 13, 1976 may not exceed the present rate.

5. Subordinated debentures due May 1, 1980

Interest on the subordinated debentures due May 1, 1980 is payable at 1 percentage point over current bank interest rates paid by Superior Acceptance Corporation Limited. These debentures are repayable in quarterly instalments aggregating \$135,000 per year.

6. Advances from shareholders and associates

It is the companies' policy to pay interest on advances made by shareholders and associates at 1 percentage point over current bank interest rates paid by Superior Acceptance Corporation Limited. These advances are repayable on demand.

7. Stock Options

On November 22, 1972, the board of directors of the company adopted an employee stock option plan, pursuant to which options to purchase 10,000 Class A shares of the Company may be granted to bona fide full time officers and employees of the company. Under the said plan, the board of directors has authorized the granting of options which are exercisable as follows:

- as to 5,000 shares granted to five employees, on a cumulative basis at the rate of 20% per year commencing November 22, 1973 at \$4.50 per Class A share and expiring November 22, 1978.
- as to 1,000 shares granted to one employee, on a cumulative basis at the rate of 20% per year commencing May 14, 1976 at \$2.25 per Class A share and expiring May 14, 1981.

8. Share capital

The authorized and issued share capital of the company is as summarized below:

	Number Authorized	Issued	
		Number	Amount
December 31, 1974 —			
Class A fully participating shares without par value	1,960,400	522,479	\$822,000
Class B fully participating shares without par value	1,039,600	717,791	159,110
Common shares without par value	100		
			<u>\$981,110</u>
December 31, 1975 —			
Class A fully participating shares without par value	1,957,600	519,679	\$817,594
Class B fully participating shares without par value	1,042,400	720,591	163,516
Common shares without par value	100		
			<u>\$981,110</u>

The holders of the Class A shares, the Class B shares and the common shares participate equally, share for share, in any dividend declared by the company. The holders of the Class A shares may receive dividends declared by the company, in whole or in part, consisting of (1) ordinary dividends, (2) dividends paid out of 1971 capital surplus on hand, or (3) dividends paid out of tax-paid undistributed surplus. To the extent that the dividends paid to the holders of the Class A shares consist of payment by way of either methods (1) or (2), the holders of the Class B shares and the common shares will receive dividends in an amount per share equal to the amount received by the holders of the Class A shares; to the extent that the dividends paid to the holders of the Class A shares consist of payment by way of method (3), the holders of the Class B shares will receive dividends in an amount equal to the dividend paid to the holders of the Class A shares plus the taxes paid by the company in respect of such dividend in order to permit the

payment thereof out of tax-paid undistributed surplus in accordance with the provisions of the Income Tax Act, on a share for share basis. The method employed for the payment of dividends on the Class A shares is at the discretion of the directors, but, under the present income tax legislation, the company may not pay tax-free dividends using method (2) set forth above until it has paid tax on all its undistributed income. Any dividend paid using method (2) or (3) set forth above will reduce the holder's adjusted cost base of the share upon which such dividend was paid by an amount equal to the amount of the dividend.

Class A shares may be converted into Class B shares and Class B shares may be converted into Class A shares at any time at the option of the respective holders thereof on a share for share basis.

During the year 2,800 Class A shares were converted into Class B shares.

9. Remuneration of directors and senior officers

The aggregate remuneration paid or payable to directors and senior officers of the company during the year ended December 31, 1975 amounted to \$220,676; (1974 — \$210,698).

10. Lease commitments

The approximate rental commitments, under existing leases, for each of the next five years is as follows:

1976	\$85,402
1977	69,114
1978	63,207
1979	49,950
1980	20,400

It is expected that in the normal course of operations expiring leases will be extended or replaced.

